

**EXHIBIT 18**

## STATE WATER RESOURCES CONTROL BOARD

PAUL R. BONDERSON BUILDING  
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Fax: 657-1485

Mailing Address  
**DIVISION OF WATER RIGHTS**  
P.O. BOX 2000, Sacramento, CA 95812-2000



MARCH 10 1995

In Reply Refer  
to:331:YM:29977

City & County of San Francisco  
c/o Christiane Hayashi  
City Hall, Room 206  
San Francisco, CA 94102-4682

Dear Ms. Hayashi:

APPLICATION 29977 OF FAHEY, DEADWOOD SPRING AND COTTONWOOD SPRING  
IN TUOLUMNE COUNTY

Pursuant to your telephone call of March 14, 1995, the protest filed by City and County of San Francisco against the above referenced application is hereby dismissed with the understanding that the following amended terms, substantially as written, will be included in any permits issued to Application 29977.

- o Diversion of water under this permit during the period from June 16 through October 31 of each year is subject to maintenance of the Water Exchange Agreement executed on December 12, 1992 between the permittee and the Modesto and Turlock Irrigation Districts. Pursuant to the Agreement, permittee shall provide replacement water to New Don Pedro Reservoir for all water diverted under this permit during the period from June 16 to October 31 of each year. The source, amount and location at New Don Pedro Reservoir of replacement water discharged to the reservoir shall be reported to the State Water Resources Control Board with the annual Progress Report by permittee.
- o Permittee shall comply with the following provisions which are derived from the City and County of San Francisco (San Francisco) letter dated December 19, 1994 filed with the State Water Resources Control Board:
  - (1) Permittee shall not interfere with San Francisco's obligations to the Modesto and Turlock Irrigation Districts (Districts) pursuant to the Raker Act and/or the ~~Fourth~~ *any implementing* Agreement between the Districts and San Francisco.
  - (2) ~~During the period of November 1 through June 15,~~ Permittee shall provide replacement water to New Don Pedro Reservoir for water diverted under this permit which is adverse to the prior rights of San Francisco and the Districts. A determination of whether permittee's diversion has potentially or actually reduced the water supplies of San Francisco and the Districts will be made annually by the latter parties in accordance with water accounting procedures being used by said parties.

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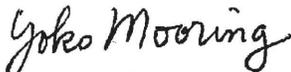
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Permittee shall provide replacement water within one year of the annual notification by San Francisco *or the Districts* of potential or actual water supply reduction caused by permittee's diversions. Permittee shall provide replacement water in a manner that will offset the separate reductions in water supplies of San Francisco and the Districts. Replacement water may be provided in advance and credited to future replacement water requirements. Permittee shall not be obligated to provide replacement water for diversions that occur during periods when the Districts' and San Francisco's reservoirs are spilling or are being operated in anticipation of spill *except that all water diverted during the period June 16 through October 31 shall be replaced pursuant to the Water Exchange Agreement executed on December 12, 1992 between permittee and the Districts.* Permittee's obligations to provide replacement water under this letter agreement shall take into consideration permittee's obligations to provide replacement water under the Water Exchange Agreement. ~~executed on December 12, 1992 between permittee and the Districts.~~ The source, amount and location at New Don Pedro Reservoir of replacement water discharged to the reservoir shall be reported to the State Water Resources Control Board with the annual Progress Report by permittee.

- (3) Permittee shall not provide replacement water, under this letter agreement or permittee's aforementioned Water Exchange Agreement, from a source that is hydraulically connected to surface water tributary to the Tuolumne River. If permittee replaces water diverted pursuant to this permit with groundwater which it extracts, permittee shall demonstrate that any extracted groundwater which replaces diverted surface water is water which would not otherwise reach New Don Pedro Reservoir (NDP). Permittee shall demonstrate that there is hydrologic separation between the groundwater extracted and groundwater flow from the east into NDP; or, alternatively, permittee shall demonstrate that aquifer characteristics are such that subsurface flow to NDP is not substantial and that any extraction of groundwater by permittee would have essentially no impact on groundwater recharge via subsurface inflow from the east to NDP.

If you have any questions, please call me at (916) 657-1965.

Sincerely,



Yoko Mooring  
Sanitary Engineering Technician  
Application Unit #1

cc: G. Scott Fahey  
2418 Pleasanton Avenue  
Boise, ID 83702